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**Date:** 6/3/2013

**GAIN Report Number:** CI1307

## Chile

**Post:** Santiago

### **Decline in Chile's agriculture sector**

**Report Categories:**

Agriculture in the Economy

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**Report Highlights:**

Agriculture is an important driver for Chile's economy. Chile's annual agricultural exports over the last four years have consistently surpassed \$8 billion, representing six percent of the country's GDP. The agriculture sector employs nearly twenty five percent of the national labor force. This year, the National Society of Agriculture (SNA by its initials in Spanish) reports that only two of the main product sectors are projected to grow in 2013. SNA has requested that the government implement measures immediately to promote the competitiveness of the agricultural sector.

**General Information:**

The President of the National Society of Agriculture (SNA), Patricio Crespo, projected that productivity in the agroforestry sector will fall by about 1% this year due to loss of competitiveness and new weather patterns due to climate change.

According to SNA, returns will fall in four of six production areas: vegetables (- 4.6%), fruit (- 6.5%), wine (- 2.1%) and livestock (- 1.0%). The only products with positive projected growth are: forestry (3.8%) and row crops (6.4%). In 2012 agriculture's contribution to Chile's GDP fell by 0.6%, meanwhile in the first quarter of this 2013 the Central Bank has already recorded a fall of 1.8%.

The Chairman of the SNA attributed the loss of productivity to the rise in production costs and the drop in the exchange rate. "I urge the government to implement measures that will allow farmers to deal with this phenomenon," said Patricio Crespo. He also stressed the need to unlock energy investment and improve water infrastructure to ensure dependable access to irrigation.

**Loss of competitiveness in the fruit industry**

The fruit sector suffers the most from the loss of competitiveness. The past nine years have seen a cumulative decrease of 55% with a staggering drop of 16% in the 2012 harvest. The factor with the greatest influence has been the increase in labor costs which have risen by 88% in the past ten years. A very strong Chilean peso coupled with a relatively weak dollar has further punished the fruit sector contributing to the drop of 15% on returns. Chile enjoys a strong peso, but fruit is an export business and farmers get paid in dollars but have to pay their workers and other costs in pesos. The chairman of the SNA pointed out that until the last season, increases on the export prices have partially offset the loss due to increased costs in other areas, but this season that has failed to happen.

Row crops have also seen their competitiveness erode over time. In the past nine years it has fallen by 32%, and last season the decline was 6%.

The consequences of this phenomenon are clearly reflected in trade balance of agricultural and forest products, where exports have been stagnating, from 11% average annual growth in the five-year period 2001-2005 to 9% in the last two years. Meanwhile, imports grew at a rate of 9% per year to 19% per year during those same periods. In this regard, the SNA President stressed the predominance of imports from Mercosur countries, induced distortions of prices in origin, as it is the case of Argentina. Chile is an associate member of Mercosur.